

**ALASKA STATE LEGISLATURE
SENATE EDUCATION STANDING COMMITTEE**

March 24, 2017

8:01 a.m.

MEMBERS PRESENT

Senator Shelley Hughes, Chair
Senator Gary Stevens
Senator John Coghill
Senator Tom Begich

MEMBERS ABSENT

Senator Cathy Giessel

COMMITTEE CALENDAR

SENATE BILL NO. 87

"An Act relating to energy efficiency standards and standardized options for building and equipment components for school construction and major maintenance; relating to school construction and major maintenance grants and bond debt reimbursement; establishing a working group to make recommendations relating to energy efficiency and standardized components in schools; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 78

"An Act creating the education endowment fund and the dividend lottery fund; authorizing contributions from the permanent fund dividend to the dividend lottery fund; relating to transfers from the dividend lottery fund and the education endowment fund; relating to the definition of 'gambling'; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 96

"An Act relating to education; relating to school districts; relating to course credit for students; relating to group insurance, self-insurance, and other cooperative arrangements between school districts and businesses, nonprofit organizations, and government agencies; relating to funding for

school districts; relating to school operating funds; relating to competency examinations for teacher certificates; relating to the Professional Teaching Practices Commission; relating to the duties and powers of the Department of Education and Early Development and the commissioner of education and early development; relating to a virtual education consortium; relating to the minimum wage for bus drivers; relating to the investment, appropriation, and administration of the public school trust fund; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: SB 87

SHORT TITLE: SCHOOL CONSTRUCTION ENERGY EFFICIENCY STD

SPONSOR(s): SENATOR(s) MACKINNON

03/10/17	(S)	READ THE FIRST TIME - REFERRALS
03/10/17	(S)	EDC, FIN
03/22/17	(S)	EDC AT 8:00 AM BUTROVICH 205
03/22/17	(S)	Heard & Held
03/22/17	(S)	MINUTE(EDC)

BILL: SB 78

SHORT TITLE: PERM FUND DIVIDEND CONTRIBUTIONS/LOTTERY

SPONSOR(s): SENATOR(s) BISHOP

03/06/17	(S)	READ THE FIRST TIME - REFERRALS
03/06/17	(S)	EDC, FIN
03/24/17	(S)	EDC AT 8:00 AM BUTROVICH 205

WITNESS REGISTER

BRITTANY HUTCHISON, Staff
Senator Anna MacKinnon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed SB 87 on behalf of the sponsor.

JOHN ANDERSON, Director
Research and Rural Development
Alaska Housing Finance Corporation (AHFC)
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 87.

CHRISTOPHER HODGIN, Engineer

Statewide Public Facilities

Department of Transportation and Public Facilities (DOTPF)
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 87.

JACK HEBERT, CEO

Cold Climate Housing Research Center
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 87.

KATIE CONWAY, Manager

Outreach and Efficiency, Government Relations
Alaska Energy Authority (AEA)

Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 87.

SENATOR CLICK BISHOP

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 78.

PETE FELLMAN, Staff

Senator Click Bishop
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained SB 78 on behalf of the sponsor.

ACTION NARRATIVE

[8:01:51 AM](#)

CHAIR SHELLEY HUGHES called the Senate Education Standing Committee meeting to order at 8:01 a.m. Present at the call to order were Senators Begich, Coghill, Stevens, and Chair Hughes.

SB 87-SCHOOL CONSTRUCTION ENERGY EFFICIENCY STD

[8:02:19 AM](#)

CHAIR HUGHES announced the consideration of SB 87. She noted it is the second hearing of the bill. She listed those available to answer questions.

BRITTANY HUTCHISON, Staff, Senator Anna MacKinnon, Alaska State Legislature, reviewed SB 87 on behalf of the sponsor. She summarized the purpose and goal of SB 87. She said the bill will increase energy and operating efficiency in school buildings. It will help make schools more affordable, maintainable, and longer

lasting. School districts in Alaska need long-term operating cost savings, and energy and operating costs are eating up the base student allocation. As stewards of public funds, efficient use of money and energy is essential to public policy. The state needs to maintain and control costs for all public school facilities and extend the lives of those facilities by being more energy efficient, by using standardized component parts, and by placing prioritization on classroom infrastructure and functional design.

8:05:21 AM

SENATOR STEVENS asked who makes up the group that is putting this together. He voiced concern about co-locating schools with other state facilities.

MS. HUTCHISON replied that Section 10 lists the nine working group members: one from DEED, one from AHFC, one from AEA, one from the Cold Climate Research Center, one from DOTPF, one superintendent from a rural school district and one from an urban school district, and two members from the construction industry.

She addressed Senator Stevens' concern about co-location. The bill provides that all agencies or organization must have background checks and separate entrances. She provided examples of who might co-locate in a school, such as health aides, firefighters, librarians.

8:07:05 AM

SENATOR STEVENS had concerns about energy costs in rural areas. He said that some members in the working group would have experience with rural energy costs.

MS. HUTCHISON agreed.

8:07:45 AM

CHAIR HUGHES asked if two members from the construction industry would be enough. She suggested having one member be from either AEA or Cold Climate Research.

MS. HUTCHISON responded that the sponsor has considered having architects or designers in the group and she is open to suggestions. She would like to keep it to 9 to 11 members.

SENATOR BEGICH suggested having two alternates from the construction industry.

MS. HUTCHISON said reiterated that the goal is to keep the working group manageable with 9 to 11 members.

8:09:37 AM

SENATOR STEVENS asked if the working group has a higher authority than the local community has.

MS. HUTCHISON said the group does not have authority over local control. She added that a school district can go above and beyond the recommendations for cost per square footage, but must pay for it. The idea is to follow certain standards.

8:10:58 AM

CHAIR HUGHES asked whether an existing school would go through the same process to convert to a multiple-purpose facility.

MS. HUTCHISON said that provision is included in the plan.

CHAIR HUGHES questioned the clarity of "major maintenance project" on page 5, line 31.

MS. HUTCHISON said she did not have the answer.

8:12:02 AM

SENATOR BEGICH said that "major maintenance" in school construction is defined in statute.

CHAIR HUGHES wondered if new out buildings on school property would follow the same process.

MS. HUTCHISON said they had not considered it.

CHAIR HUGHES suggested it would work, as the bill is written.

8:13:15 AM

SENATOR BEGICH asked Ms. Hutchison if she would be looking at these suggestions soon.

MS. HUTCHISON said the sponsor does have a list of suggestions and has heard from multiple stakeholders, including the Department of Law. She thought they would have a plan by 5:00 today.

8:14:17 AM

SENATOR COGHILL saw that on page 10, lines 26 and 27, after the working group is done they report to the legislature. He asked if that is after regulations have gone into effect.

MS. HUTCHISON explained the timeline. Once SB 87 passes, the working group would have 18 months to come up with a report to the legislature. Immediately after, the department would have 6 months to write regulations. The sponsor is considering the legislature's role as it relates to regulations.

SENATOR COGHILL suggested that DEED, as a member of the working group, may want to be involved all through the process in order to provide a fiscal note.

[8:15:46 AM](#)

MS. HUTCHISON said there is a DEED fiscal note attached which requests two full-time employees and one temporary employee.

SENATOR COGHILL liked the timeline and the working group makeup. He also said he can accept the 18-month deadline. He asked if the working group has a definition for climate regions.

[8:17:30 AM](#)

MS. HUTCHISON replied that there is a list of four climate zones in Alaska. AHFC can address the zones.

CHAIR HUGHES pointed out that there are cost variables within those zones.

SENATOR COGHILL agreed that economic and transportation costs also vary.

MS. HUTCHISON noted that the bill establishes the maximum cost per square foot, which is subject to change based on many variables.

CHAIR HUGHES asked if AHFC is the best one to address that issue.

MS. HUTCHISON said yes.

[8:19:02 AM](#)

JOHN ANDERSON, Director, Research and Rural Development, Alaska Housing Finance Corporation (AHFC), answered questions related to SB 87. He responded first to the question about climate zones by relating AHFC's building energy efficient standards in reference to residential housing. They apply the same climate zone standards through all programs, including commercial application or public facilities. Their process follows a national model the Department of Energy and the Environmental

Protection Agency put out. AHFC uses modeling software called AkWarm to determine climate regions using the number of heating degree days. It is specific to the energy characteristics in Alaska's regions and includes Climate Zone 9. Other characteristics such as transportation costs can be addressed through the working group.

[8:21:01 AM](#)

SENATOR BEGICH stated that the bill is written to address the climate zones. He suggested having other language to address other factors, such as cost and transportation factors, to get to a square-footage cost. He asked if AHFC sets those costs based only on climate data.

MR. ANDERSON said yes.

[8:21:51 AM](#)

CHAIR HUGHES inquired about the 30-year life of a building on page 10. She wondered if that length could be extended to 50 years.

MS. HUTCHISON recommended asking Cold Climate Housing Research Center, AHFC, or DOTPF.

CHAIR HUGHES asked Mr. Hodgkin to answer.

[8:22:55 AM](#)

CHRISTOPHER HODGIN, Engineer, Statewide Public Facilities, Department of Transportation and Public Facilities (DOTPF), answered questions related to SB 87. He addressed the life of a building. If it is extended past 30 years, increased cost factors must be considered. Regarding energy efficient upgrades, some of the technologies have less than a 30-year life.

[8:23:51 AM](#)

JACK HEBERT, CEO, Cold Climate Housing Research Center, answered questions related to SB 87. He said the durability of a building is based on a number of factors related to the mechanical systems. However, the structure itself is dependent on the building science incorporated in it. There is no reason why a building cannot be designed to last 50 to 75 years.

CHAIR HUGHES asked how much that might affect the cost.

MR. HEBERT opined that it does not necessarily have to cost more with proper selection of materials.

8:25:25 AM

SENATOR BEGICH asked about page 6, Section 8, where it says the Commissioner of DEED shall consult with AEA. He questioned whether DOTPF could also be consulted and if that was ok with AEA.

8:26:00 AM

KATIE CONWAY, Manager, Government Relations, Alaska Energy Authority (AEA), Department of Commerce, Community and Economic Development (DCCED), answered questions related to SB 87. She suggested that while AEA could manage this task if the legislature requests it, DOTPF could also. She thought it would make sense to ask DOTPF.

8:26:52 AM

MR. HODGIN agreed that DOTPF could assist with the task.

SENATOR BEGICH said it didn't matter to him who does it; the one best suited to is fine with him.

CHAIR HUGHES offered a question directed to DEED regarding when the reports mentioned on page 8 are required. It says the maintenance and support team will report and the school district will also report. She asked if one or two reports are required and what is to be reported. She requested that DEED address those issues at a later meeting.

CHAIR HUGHES held SB 87 in committee.

SB 78-PERM FUND DIVIDEND CONTRIBUTIONS/LOTTERY

8:28:59 AM

CHAIR HUGHES announced the considerations of SB 78.

SENATOR CLICK BISHOP, Alaska State Legislature, sponsor of SB 78. He introduced SB 78 by saying that the bill sets up a foundation for an innovative way to raise funding to help a great cause - funding the future for Alaska's greatest asset - its children. He said he has long been in favor of economic diversification and using renewable resources, such as the earning of the permanent fund.

He shared a personal story about an education tax on his paycheck when he was first starting to work. In the 1980s the education head tax was struck down. He said he has been seeking support for a way to fund education for the last four years.

He called his bill a voluntary limited income tax. He said over 60 percent of his district supports education. He gave an example of a constituent who returned his PFD the last two years.

SENATOR BISHOP said the purpose of the bill is to look way into the future, post oil, to help partially fund education using Alaska's renewal resource, the power of its permanent fund earnings.

[8:33:17 AM](#)

SENATOR STEVENS asked if he will use Pick, Click, Give.

SENATOR BISHOP said yes.

PETE FELLMAN, Staff, Senator Click Bishop, Alaska State Legislature, explained SB 78 on behalf of the sponsor. He explained that SB 78 provides that everyone could donate to education in \$100 increments on their permanent fund application. He said that half of the money goes to the public education fund; a quarter goes to an education endowment fund which will reach a cap and then roll money into the public education fund; and one quarter goes into the lottery fund which has a \$500 million cap. After the lottery has reached the cap, all future donations will go to education. Out of the lottery fund, 20 percent will go to lotter prizes, and 80 percent will stay in the lottery fund. Every year the lottery fund will grow and will be managed in a conservative manner.

[8:36:47 AM](#)

MR. FELLMAN showed a table of hypothetical fund result possibilities year by year: number of participants, average donations, deposits to fund types, and prize amounts. He termed it a bucket lottery. He hoped the fund would be self-sustaining in the future.

He noted Alaska already has sixteen variations of charitable gaming and he provided examples, such as the Ice Classic. The lottery will not need administrative money from the state, it comes from the donations.

[8:40:05 AM](#)

MR. FELLMAN explained the changes in the proposed CS, version R. One change would cap the amount of money needed to manage the lottery to \$500,000. The other change was so that the 125,000 people who do not file their permanent fund on a computer could

participate in the lottery. It removes the word "electronic" and "who files electronically" from the bill.

[8:40:48 AM](#)

SENATOR COGHILL moved to adopt the CS for SB 78, labeled 30-LS0534\R, as the working document before the committee.

CHAIR HUGHES objected for discussion purposes.

[8:41:43 AM](#)

CHAIR HUGHES noted there are state lotteries in the U.S., but SB 78 is more like a raffle. She asked what the difference between a lottery and a raffle is.

MR. FELLMAN clarified that it is a limited lottery because participants must be residents of the state who receive a PFD and the donation can come only once a year from the PFD. Participants cannot spend their children's PFD or their rent money. It is different than any other game of chance.

CHAIR HUGHES asked why they chose "lottery" rather than "raffle."

MR. FELLMAN said they were excited about it and lottery is a catch word for big winnings, not a small raffle. The sponsor pictured the Governor announcing the permanent fund and the winners of this lottery. He concluded that 95 percent of the money stays secure for education.

CHAIR HUGHES removed her objection and version R was adopted.

She held SB 78 in committee.

[8:45:35 AM](#)

There being no further business to come before the committee, Chair Hughes adjourned the Senate Education Standing Committee at 8:45 a.m.